
State:	District of Columbia	Filing Company:	Transguard Insurance Company of America, Inc.
TOI/Sub-TOI:	17.1 Other Liability-Occ Only/17.1020 Commercial Umbrella and Excess		
Product Name:	Moving & Storage - Rate Revision		
Project Name/Number:	/		

Filing at a Glance

Company:	Transguard Insurance Company of America, Inc.
Product Name:	Moving & Storage - Rate Revision
State:	District of Columbia
TOI:	17.1 Other Liability-Occ Only
Sub-TOI:	17.1020 Commercial Umbrella and Excess
Filing Type:	Rate
Date Submitted:	12/12/2019
SERFF Tr Num:	OCCD-132186870
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	19-1124
Effective Date	01/01/2020
Requested (New):	
Effective Date	01/01/2020
Requested (Renewal):	
Author(s):	Wendy Jacobs
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

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General Information

Project Name: Status of Filing in Domicile:
Project Number: Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 12/12/2019
State Status Changed: Deemer Date:
Created By: Wendy Jacobs Submitted By: Wendy Jacobs
Corresponding Filing Tracking Number:

Filing Description:

At this time, we are filing to amend our rating methodology. We understand that there will be an impact to our insureds and will be limiting the impact to +/-25% each year going forward until the full impact is realized. Please see the attached support for our filing.

We wish this filing to be effective on January 1, 2020 for new business and for renewal business.

Company and Contact

Filing Contact Information

Wendy Jacobs, State Filing Analyst wjacobs@ofc-wic.com
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Filing Company Information

Transguard Insurance Company of America, Inc.	CoCode: 28886	State of Domicile: Illinois
215 Shuman Boulevard, Suite 400	Group Code: 225	Company Type: Property and Casualty
Naperville, IL 60563	Group Name: IAT Group	State ID Number:
(919) 833-1600 ext. [Phone]	FEIN Number: 36-3529298	

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

SERFF Tracking #:	OCCD-132186870	State Tracking #:		Company Tracking #:	19-1124
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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Exception Pages	Page E-1 - E-3	Replacement	TRAX-125614587	Moving and Storage TG-CU-DC-E Umbrella Rate Rule.pdf

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SECTION I – GENERAL RULES

Rule 9. ADDITIONAL PREMIUM CHANGES

B. Waiver of Premium

1. Waive additional premium of \$5.00 or less.

Rule 10. RETURN PREMIUM CHANGES

B. Waiver of Premium

1. Waive return premium of \$5.00 or less.

Rule 13. MINIMUM PREMIUMS

The following is added:

D. Minimum Premiums By Limit of Coverage

1. For the first \$1 Million of Coverage, a minimum premium of \$1,500 per \$1 Million of Coverage shall apply.
2. For the second \$1 Million of Coverage, a minimum premium of \$1,500 per \$1 Million of Coverage shall apply.
3. For the third \$1 Million of Coverage, a minimum premium of \$1,500 per \$1 Million of Coverage shall apply.
4. For each additional \$1 Million of Coverage, a minimum premium of \$1,500 per \$1 Million of Coverage shall apply.

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Division Thirteen
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SECTION II – COVERAGE RULES

Rule 24. MINIMUM RETAINED LIMIT/MINIMUM UNDERLYING LIMIT

The following is added:

1. General Liability Coverage Form	\$2,000,000	General Aggregate Limit
	\$2,000,000	Products/Completed Operations Aggregate Limit
	\$1,000,000	Personal & Advertising Injury Limit
	\$1,000,000	Each Occurrence Limit
Liability written under Business Auto, Truckers Liability, or Motor Carrier Coverage Form	\$1,000,000	Combined Single Limit
For states requiring inclusion in Umbrellas	\$1,000,000	Uninsured/Underinsured Motorists Coverage
Employee Benefits Liability Coverage Form	\$1,000,000	Limit Per Claim
	\$1,000,000	Aggregate Limit
Employers Liability -- Bodily Injury	\$1,000,000	Each Accident
	\$1,000,000	Disease – Each Employee
	\$1,000,000	Disease – Policy Limit
2. Self-Insured retention	\$10,000	

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SECTION III – RATING PROCEDURES

Rule 39. PREMIUM DETERMINATION

Paragraph A. is replaced by the following:

A. For each coverage for which there is underlying insurance:

1. Determine the premium for underlying motor carrier's liability and general liability coverage at limits equal to the primary policy limit. Adjust this amount by applicable surcharges and credits, including any applicable endorsement premium and/or credits.
2. For the first \$1 million of coverage multiply the amounts determined in **Paragraph 1.** by a factor of .221.
3. For the second \$1 million of coverage multiply the amounts determined in **Paragraph 2.** by a factor of .50.
4. For the third \$1 million of coverage multiply the amounts determined in **Paragraph 3.** by .55.
5. For the fourth \$1 million of coverage multiply the amounts determined in **Paragraph 4.** by a factor of .60.
6. For the fifth \$1 million of coverage multiply the amount determined in **Paragraph 5.** by .65.
7. Add the results of Paragraphs **2., 3., 4., 5.,** and **6.** to determine the total umbrella premium.
8. A schedule modification may be applied that shall not exceed +/-25%.
9. For the purposes of the umbrella premium development under the new rating algorithm, we will cap any premium increase at 25%.

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Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Certification (P&C)
Comments:	Please see attached support.
Attachment(s):	M&S - umbrella support 1_1_2020.pdf
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	N/A Please see support attached above.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Cover
Comments:	
Attachment(s):	Dist of Columbia 19-1124.pdf
Item Status:	
Status Date:	

Transguard: Moving and Storage Umbrella – Rationale for New Rating Factors and Methodology

Rationale for the Update

Our current rating factors have been in place for a very long time. We did a comprehensive look at our rating methodology and found the following:

- 1) Our current methodology can produce off reversals where the \$1M X \$3M layer may end up being charged LESS than the \$1M X \$4M layer, clearly violating the basic insurance principles.
- 2) Our current factors are inadequate as our experience in Umbrella has been poor and also ISO has increased ILFs steadily over the years while our Umbrella rating has remained unchanged.

Revised Methodology

We approached this still using the 1XP as the primary starting point to build up the umbrella pricing. However, we also reflected state specific factors based off of the ISO ILFs. The following shows our general thought process around coming up with that factor:

Moving and Storage (State X example)					
		<u>Table</u>			
Auto	90%	1. Light/Medium	15%		
GL	10%	2. Heavy/Tractors	50%		
		3. Extra Heavy	10%		
Rate Adequacy Adjustments		4. Zone Rated	25%		
Auto	1.000				
	Light /Med	Heavy	Extra Hvy	ZR	Weighted
	<u>Auto</u>	<u>Auto</u>	<u>Auto</u>	<u>Auto</u>	<u>Auto</u>
1x1	1.14	1.16	1.18	1.17	1.16
1X2	1.08	1.08	1.09	1.09	1.08
2X3	1.10	1.11	1.12	1.12	1.11
5X5	1.15	1.16	1.18	1.18	1.17
	<u>ILF</u>	<u>Ratio</u>			
MMXS 1x1	1.24	1.49			
Reins 1:	1.21	1.30			
Reins 2:	1.23	1.45			
	Select:	1.42			
Reflect some GL:		90%			
	Final:	1.37			
	<u>Auto</u>				
1X1	1.22				

This assumes roughly a 90/10 split of our umbrella expected losses between AL and GL (consistent with our book). For auto, this weights the vehicle type together to produce a blended ILF. For GL, this assumed a 100% premises, and also used the appropriate table 2 for the premises. The only other adjustment was based on reinsurer feedback on our reinsurance costs we increased the ISO auto ILFs to produce the selection.

Then, after getting that first million factor, we use the following decremental approach consistent with most umbrella markets:

Decrements	
<u>Layer</u>	<u>% of prev</u>
1 X 1 X P	0.50
1 X 2 X P	0.55
1 X 3 X P	0.60
1 X 4 X P	0.65
1 X 5 X P	0.70
1 X 6 X P	1.00
1 X 7 X P	1.00
1 X 8 X P	1.00
1 X 9 X P	1.00
1 X 10 X P	0.75
1 X 11 X P	1.00
1 X 12 X P	1.00
1 X 13 X P	1.00
1 X 14 X P	1.00
1 X 15 X P	0.80
1 X 16 X P	1.00
1 X 17 X P	1.00
1 X 18 X P	1.00
1 X 19 X P	1.00
1 X 20 X P	0.85
1 X 21 X P	1.00
1 X 22 X P	1.00
1 X 23 X P	1.00
1 X 24 X P	1.00

Effect on the Book Pricing

The following shows roughly the layer by layer effect of our updated pricing algorithm on the portfolio:

Transguard Insurance Company of America				
Countrywide				
Moving & Storage Program - Rate Change on the book				
<u>Umbrella Limit</u>	<u>Count</u>	<u>count %</u>	<u>Premium</u>	<u>Prem %</u>
1,000,000	189	35%	947,312	16%
2,000,000	214	39%	2,044,256	35%
3,000,000	52	10%	692,515	12%
4,000,000	20	4%	602,977	10%
5,000,000	69	13%	1,483,740	26%
Total	544		5,770,800	
			Rate Change	Rate Change
		<u>Umbrella Limit</u>	<u>Cumulative</u>	<u>Layer</u>
		1,000,000	54%	54%
		2,000,000	43%	24%
		3,000,000	34%	1%
		4,000,000	22%	-38%
		5,000,000	15%	-42%
		Premium Weighted:	34%	
1X4 layer down 42%, \$5M umbrella up 15% all layers combined.				

Since the old methodology had those odd reversals in the 1X2 to 1X3 layer you can see this methodology corrects for that and now provides more logical layered premiums. The effect however is to increase the 1xP and 1X1 layers, but then providing relief in higher layers.

This also contains the distribution of umbrella limits by limit sold. Overall we'd expect this to increase umbrella pricing by 34%.

We currently have most of this algorithm as "refer to company" for any limit sold over \$1M (so roughly 99% of the book). However, we really wanted to illustrate the way this would function and the effects on the portfolio.

Justification of the Rate

The following shows our most recent 5-year history along with Industry development expectations:

Transguard Insurance Company of America					
Countrywide					
Moving & Storage Program - Umbrella Loss Development					
<u>AY</u>	<u>18</u>	<u>30</u>	<u>42</u>	<u>54</u>	<u>66</u>
2014	-	-	1	524,716	524,716
2015	-	-	-	-	
2016	4,000,001	4,000,000	4,000,000		
2017	-	-			
2018	3,752,740				
	<u>18-30</u>	<u>30-42</u>	<u>42-54</u>	<u>54-66</u>	<u>66-ult</u>
Industry ATA *	1.791	1.399	1.220	1.116	1.231
Select ATA	1.791	1.399	1.220	1.116	1.231
Select ATU	4.203	2.346	1.677	1.374	1.231
<i>* taken from the ISO SOLM (size-of-loss matrix)</i>					
<u>AY</u>	<u>incurred</u>	<u>LDF</u>	<u>Ultimate</u>		
2014	524,716	1.231	645,947		
2015	-	1.374	-		
2016	4,000,000	1.677	6,708,952		
2017	-	2.346	-		
<u>2018</u>	<u>3,752,740</u>	<u>4.203</u>	<u>15,771,795</u>		
	8,277,456		23,126,694		

We then trended the losses using the auto trends from ISO:

Transguard Insurance Company of America					
Countrywide					
Moving & Storage Program - Umbrella Loss Trending (using Auto Liab Trends)					
	F	0.0%			
	S	6.5%			
	F x S:	6.5%			
<u>AY</u>	<u>incurred</u>	<u>LDF</u>	<u>Ultimate</u>	<u>Trend</u>	<u>Trended Ult</u>
2014	524,716	1.231	645,947	1.506	972,679
2015	-	1.374	-	1.414	-
2016	4,000,000	1.677	6,708,952	1.328	8,906,928
2017	-	2.346	-	1.247	-
<u>2018</u>	<u>3,752,740</u>	<u>4.203</u>	<u>15,771,795</u>	<u>1.171</u>	<u>18,460,996</u>
	8,277,456		23,126,694		28,340,603
<i>Trending 2018 for 2.5 years (from 7/1/2018 to 1/1/2021)</i>					

We trended the premium slightly (to account for the 10% of the exposure that is GL) and we onleveled the premiums for the underlying rate change on the auto and GL exposures:

Transguard Insurance Company of America					
Countrywide					
Moving & Storage Program - Umbrella Premium Trend / Onlevel					
<u>AY</u>	<u>EP</u>	<u>Trend</u>	<u>Trended EP</u>	<u>Onlevel</u>	<u>Onlev Trnded EP</u>
2014	1,913,832	1.013	1,938,849	1.266	2,454,019
2015	2,068,972	1.011	2,091,833	1.228	2,568,804
2016	2,514,283	1.009	2,536,991	1.182	2,999,283
2017	3,656,146	1.007	3,681,803	1.117	4,111,001
<u>2018</u>	<u>4,649,626</u>	<u>1.005</u>	<u>4,672,909</u>	<u>1.057</u>	<u>4,939,868</u>
Total	14,802,859		14,922,385		17,072,975
<i>Trended using 2% for GL @10% of the umbrella premium - 0% for Auto liability</i>					
Onlevel Factor Calculation (using 90% auto liability v 10% GL underlying rate changes)					
<u>Pol Year</u>	<u>Rate Change</u>	<u>Factor</u>	<u>Cum</u>		
1/1/2013	5.2%	1.052	1.052		
1/1/2014	2.6%	1.026	1.080		
1/1/2015	3.5%	1.035	1.118		
1/1/2016	4.2%	1.042	1.165		
1/1/2017	7.5%	1.075	1.252		
1/1/2018	3.9%	1.039	1.301		
1/1/2019	3.7%	1.037	1.349		
<u>AY</u>	<u>avg</u>	<u>cum</u>	<u>onlevel</u>		
2014	1.066	1.349	1.266		
2015	1.099	1.349	1.228		
2016	1.141	1.349	1.182		
2017	1.208	1.349	1.117		
2018	1.276	1.349	1.057		

We calculated a PLR using the 17.1 – Other Liability Occurrence IEE and Page 14 data:

Transguard Insurance Company of America						
Countrywide						
Moving & Storage Program - Umbrella Expense and Permissible Loss Ratio						
<u>Commission</u>		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total/Average</u>	<u>Selected</u>
1 Direct Written Premium (Page 14)		4,854,445	6,886,848	7,669,933		
2 Commission & Brokerage (Page 14)		481,452	671,972	742,624		
3 Commission & Brokerage as a percent of Direct Written Premium		9.9%	9.8%	9.7%	9.8%	9.8%
<u>Other Acquisition Expense (000 omitted)</u>		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total/Average</u>	<u>Selected</u>
4 Direct Written Premium (IEE)		4854	6887	7670		
5 Other Acquisition Expenses Incurred (IEE)		574	901	1104		
6 Other Acquisition Expense as a percent of Direct Written Premium		11.8%	13.1%	14.4%	13.1%	13.1%
<u>Total Production Expense</u>						
7 Total Production Expense as a percent of Direct Written Premium		21.7%	22.8%	24.1%	22.9%	22.9%
<u>General Expense (000 omitted)</u>		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total/Average</u>	<u>Selected</u>
8 Direct Earned Premium (IEE)		4475	5953	7404		
9 General Expenses Incurred (IEE)		144	225	276		
10 General Expense as a percent of Direct Earned Premium		3.2%	3.8%	3.7%	3.6%	3.6%
<u>Taxes, Licenses & Fees</u>		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total/Average</u>	<u>Selected</u>
11 Direct Written Premium (Page 14)		4,854,445	6,886,848	7,669,933		
12 Premium Taxes, Licenses and Fees (Page 14)		148,445	189,012	174,498		
13 Premium Taxes, Licenses and Fees as a percent of DWP		3.1%	2.7%	2.3%	2.7%	2.7%
<u>Loss Adjustment Expense (000 omitted)</u>		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total/Average</u>	<u>Selected</u>
14 Direct Incurred Loss (IEE)		1013	3271	2845		
15 Direct Defense and Cost Containment Expense Incurred (IEE)		177	-118	573		
16 Direct Adjusting and Other Expense Incurred (IEE)		156	140	266		
17 Ratio of AOE to Incurred Loss & DCC		13.1%	4.4%	7.8%	8.4%	8.4%
<u>Permissible Loss & DCCE Ratio</u>						
18 Total Expense Ratio = ((7) + (10) + (13))						29.2%
19 Provision for Profit & Contingencies						5%
20 Permissible Loss & DCCE Ratio = (1.0 - (18) - (19)) / (1.0 + (17))						61%

And, then we brought it all together in the following summary exhibit:

Transguard Insurance Company of America			
Countrywide			
Moving & Storage Program - Final Rate Need			
<u>AY</u>	<u>Trended Onlevel EP</u>	<u>Trended Ult Loss</u>	<u>Loss Ratio</u>
2014	2,454,019	972,679	40%
2015	2,568,804	-	0%
2016	2,999,283	8,906,928	297%
2017	4,111,001	-	0%
<u>2018</u>	<u>4,939,868</u>	<u>18,460,996</u>	<u>374%</u>
Total	17,072,975	28,340,603	166%
Permissible			61%
Rate need:			173%
<i>Credibility {Sqrt (prem / \$100M)}</i>			41%
Complement Rate Need:			0%
Cred Weighted Rate Need			72%
<i>Requested Rate:</i>			34%

Transguard Insurance Company of America

702 OBERLIN ROAD, BOX 10800, RALEIGH, NORTH CAROLINA 27605 (919) 833-1600 1-800-525-7486 (National) 1-800-342-0753 (In N.C.)

December 12, 2019

Stephen C. Taylor
Department of Insurance, Securities, & Banking (DISB)
1050 First Street, NE, Suite #801
Washington, D.C. 20002

Re: NAIC #: 28886 FEIN#: 36-3529298
Transguard Insurance Company of America
Commercial Umbrella
Filing #19-1124 Rate Filing

Honorable Commissioner Taylor:

Transguard Insurance Company of America is a subscriber of the Insurance Services Office (ISO) and has authorized them to file rules and forms on our behalf to the extent permitted by law.

At this time, we are filing to amend our rating methodology. We understand that there will be an impact to our insureds and will be limiting the impact to +/-25% each year going forward until the full impact is realized. Please see the attached support for our filing.

We wish this filing to be effective on January 1, 2020 for new business and for renewal business.

If you have any questions, please feel free to contact me at (800) 525-7486 ext. 5529 or by email at wendy.jacobs@iatinsurance.com.

Sincerely,

Wendy Jacobs Digitally signed by Wendy Jacobs
DN: cn=Wendy Jacobs, o=IAT Insurance Group,
ou, email=wendy.jacobs@iatinsurance.com, c=US
Date: 2019.12.12 11:49:17 -05'00'

Wendy Jacobs
Regulatory Compliance
Product Compliance Analyst